Markborough Properties Limited Annual Report 1967

Corp report

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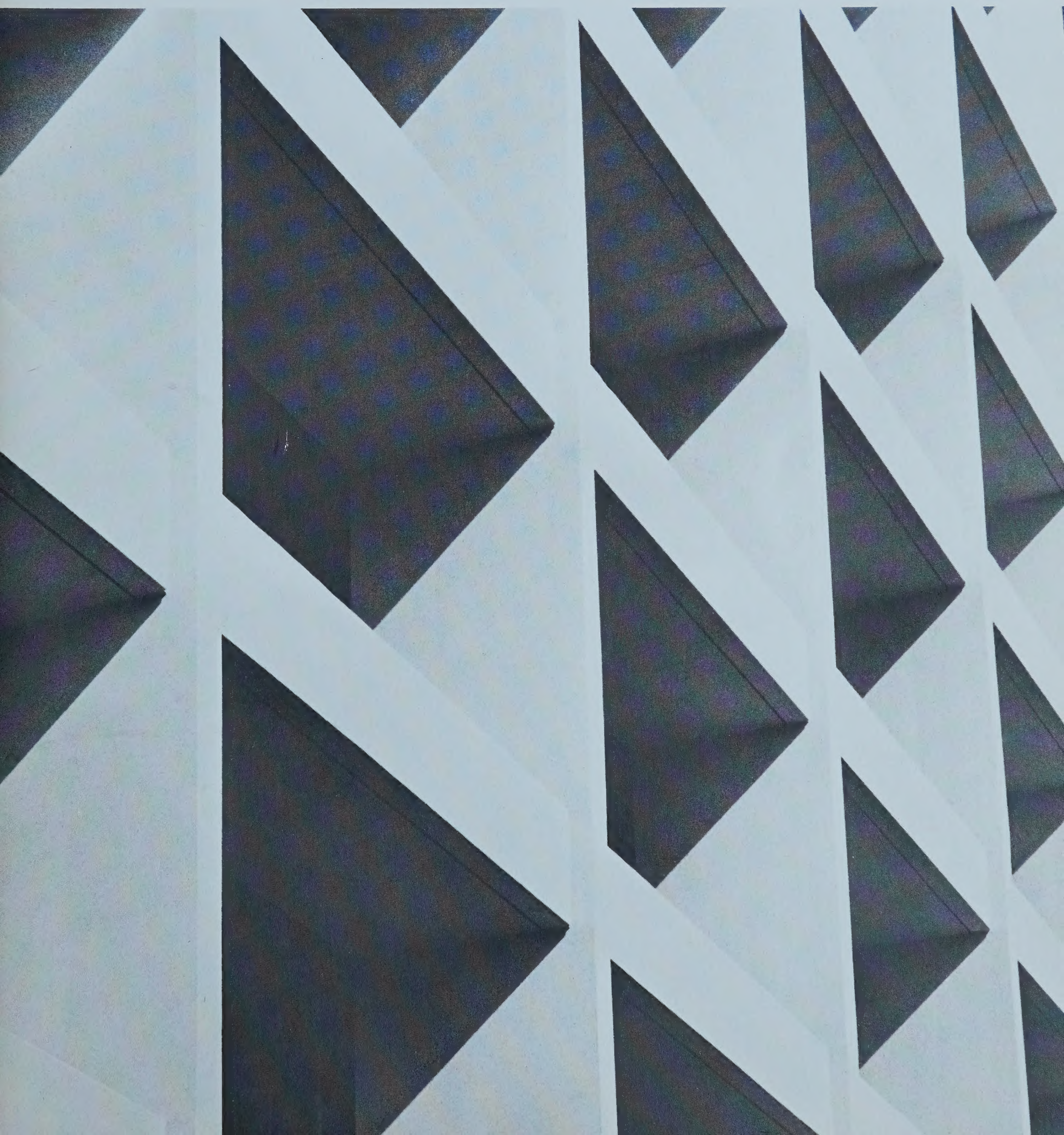


Contents

Cover: Detail of exterior, 15 Overlea Blvd., Toronto

Operating, Financial and Statistical Highlights

Since 1967 was the second complete year of operations for the Company, only a two year period is included in the historical comparison presented below.

	1967	1966
Operating		
Rental income	**$ 1,386,700**	$ 773,400
Proceeds from land sales	**2,551,600**	1,464,900
Profit (loss) before taxes	**294,900**	(32,600)
Net profit (loss) after taxes	**144,900**	(32,600)
Financial		
Undeveloped land	**$11,546,300**	$11,062,200
Income properties	**24,027,400**	12,191,500
Bank debt	**6,437,700**	8,822,400
Mortgage debt	**15,931,900**	11,408,100
Share capital	**18,460,200**	7,710,200
Per common share outstanding at year end		
Net income (loss)	**$ .04**	$ (.02)
Equity	**5.12**	5.17
Statistical		
Common shares outstanding at year end	**3,627,094**	1,489,100*
Number of shareholders	**1,167**	235
Ratio of income properties to land held for development	**2.1 to 1**	1.1 to 1
Ratio of bank and mortgage debt to equity	**1.2 to 1**	2.6 to 1

* as subdivided

Markborough Properties Limited

Directors:

D. S. Anderson
Vice President and Director
The Royal Bank of Canada, Toronto

T. L. Brock
Assistant to the Executive Vice President
Aluminum Company of Canada Limited, Montreal

R. C. Brown
Partner
Blake, Cassels & Graydon, Toronto

W. J. Dixon
Deputy General Manager
The Bank of Nova Scotia, Toronto

R. L. Friend
Vice President
The Investors Group, Winnipeg

R. H. Gane
Assistant Managing Director
George Wimpey & Co. Limited, London, England

Dr. J. M. Gillies
Vice President
York University, Toronto

A. R. Grant
Vice President and General Manager
George Wimpey Canada Limited, Toronto

G. C. Gray
Vice President
Toronto-Dominion Centre Limited, Toronto

W. S. Harvey
Senior Vice President, Finance
Air Canada, Montreal

H. P. Langer
Vice President, Operations
Markborough Properties Limited, Toronto

D. S. Lyall
Vice President, Finance
The British American Oil Company Limited, Toronto

B. R. B. Magee
President
A. E. LePage Limited, Toronto

D. B. Mansur
President
Kinross Mortgage Corporation, Toronto

A. R. Marchment
Treasurer
The T. Eaton Company Limited, Toronto

J. H. McDougall
General Manager
Greenshields Incorporated, Montreal

P. M. McEntyre
Vice President and Secretary
Commercial Trust Company Limited, Montreal

J. C. Neely
President
Alcan Design Homes Limited, Montreal

J. H. Panabaker
Vice President and Treasurer
The Mutual Life Assurance Company of Canada, Waterloo

D. W. Pretty
Vice President and Treasurer
North American Life Assurance Company, Toronto

D. F. Prowse
Vice President, Finance
Markborough Properties Limited, Toronto

E. Schousboe
President
Secfin Company Ltd., Montreal

J. L. Toole
Vice President, Accounting and Finance
Canadian National Railways, Montreal

B. G. Willis
Vice President
Greenshields Incorporated, Toronto

There is one vacancy on the Board of Directors

Officers:

Brian R. B. Magee, F.R.I., S.I.R., C.R.E., President

H. Peter Langer, F.R.I., S.I.R., Vice President, Operations

Donald F. Prowse, B.A., C.A., Vice President, Finance

George H. Mundy, C.A., Treasurer

Ronald C. Brown, B.A., Secretary

Legal Counsel:
Blake, Cassels & Graydon, Toronto
Taylor, Joy & McKague, Toronto

Auditors:
Price Waterhouse & Co., Toronto

Bankers:
The Bank of Nova Scotia, Toronto
The Royal Bank of Canada, Toronto

Transfer Agent and Registrar:
Canada Permanent Trust Company, Toronto, Montreal, Halifax, Winnipeg, Calgary and Vancouver

Securities Listed:
Montreal Stock Exchange
Toronto Stock Exchange

Head Office:
50 Holly Street, Toronto 7

The President's Report to the Shareholders

I am pleased to present the 1967 Annual Report. This year was the second complete year of operations for the Company, and your Board of Directors and I are gratified at the progress which has been made.

Net income for the year was $144,900 after absorbing $65,700 expenses in connection with the raising of new equity capital and providing $150,000 for deferred taxes on income. This is a significant improvement over the previous year.

Asset growth continued and in keeping with the Company's overall policy of concentrating new investment in income properties, this increase occurred primarily in the income property category. At $44 million, total assets increased approximately $15 million over 1966. About $12 million of the increase was represented by additions either by way of construction or acquisition, to our income property holdings.

Also of major significance to the Company in 1967 was its programme to increase its share capital base. The sponsoring shareholder group was enlarged. In addition, early in the year, the Company made a rights offering under which existing shareholders were given the opportunity of increasing their investment in the Company. During the summer a public issue of 1,200,000 shares was successfully concluded. In all, the 1967 financing programme resulted in increasing the number of issued common shares by 2,137,994, and in increasing the dollar value of the Company's share capital by $10¾ million.

The year's financing programme included certain other changes of interest to shareholders. In June, a Special Shareholders' Meeting approved a resolution by which the Company's stock was split 2 for 1. It was felt that this change would permit a wider distribution in the ownership of the Company's share capital in the impending public issue. In August and September the Company applied for, and obtained, listing on the Montreal and Toronto Stock Exchanges. Now the facilities of these institutions are available for the convenience of investors in the Company.

At October 31 our shareholders numbered approximately 1170, about 96% of whom reside in Canada. Residents of the United States and the United Kingdom make up the balance. I would like to welcome those who have become shareholders during the past year.

At the last Annual Meeting, your Board of Directors was increased from 17 to 25. During the year we welcomed Messrs. D. S. Anderson, T. L. Brock, R. C. Brown, D. B. Mansur, A. R. Marchment, P. M. McEntyre, D. F. Prowse and B. G. Willis as new directors of your Company. The major corporate affiliations of these gentlemen are referred to elsewhere in this report. Mr. L. R. Woolsey retired from the Board during the year on being transferred by his Company to a major post in the United States.

A separate section of this Report gives a brief review of current progress in the operating affairs of the Company. Future progress will be influenced by trends within the industry and the economy as a whole, and in our ability to recognize these trends, and to respond to whatever resultant demands are made upon us.

Canada's emerging maturity and prospects for even more rapid growth assure a strong demand in both residential and commercial construction for many years. Characteristic of this increasing demand is the tendency toward large scale project developments requiring imaginative planning, substantial financing and competent execution. Markborough is in an excellent position to provide these skills and resources.

The existing unprecedented demand for housing, particularly in the Metropolitan Toronto area, is being only partially met. This accumulating backlog, together with increases in demand expected to result from immigration, new family formations and higher personal incomes, gives every indication that this problem will become still more pressing. Through the assembly and development of large, strategically located land areas, Markborough and other major development companies can and will make a major contribution toward meeting this urgent social need.

A continuation of the current high cost and short supply of loan funds could have a restraining influence on the growth of the industry. Historically, interest rates and the supply of loan funds fluctuate and while there are no indications at present of an improvement in the money market, I do not anticipate that the longer range growth prospects of the industry will be materially affected.

I expect 1968 will see continued satisfactory growth for Markborough through the completion of projects currently under construction, the commencement of certain other projects now in the planning stage, and the further development and sale of residential land.

On Behalf of the Board

President January 19, 1968

Of particular significance in the Company's 1967 operations were the opening of the Regina Inn, the completion of two new apartment buildings and the purchase of a third, the substantial completion and leasing of our first office building, and the increased volume of land sales in our various residential subdivisions under development.

While the Company holds property in Regina, Winnipeg, and Beaconsfield near Montreal, its major activity at present is centred in the Metropolitan Toronto area.

Markborough owns property in four of the area's five Boroughs, in the Town of Mississauga (Toronto Township) and in the Town of Streetsville, all of which are in the Metropolitan Toronto Planning District. Promising growth prospects for the Metropolitan area indicate that the present strong demand for all types of accommodation, especially housing, will continue for many years.

Income Producing Properties

Metropolitan Toronto, Ontario.

In the most westerly Borough, Etobicoke, the Company owns, or has an interest in, six apartment buildings, a block of maisonettes, and one service station site. The apartments contain a total of 863 suites of which the Company's interest is 778. Except for occasional vacancies, the buildings are fully leased. A major oil company has leased the service station site until 1985. With the exception of one apartment building, all of these properties are in the Westway Village community, near the intersection of Hwy. 27 and the Macdonald-Cartier Freeway.

Suites are rented on two year leases. Substantial increases in real estate taxes and operating costs have necessitated compensating rental increases to maintain a reasonable return on the Company's investment. These increases are not expected to affect occupancy levels, as owners of competitive buildings are having to implement similar increases.

In the Borough of East York's planned community of Thorncliffe Park, the Company has a 50% interest in two major high rise apartment buildings. Construction of the larger, 400 suite building will be completed in January, 1968. Over 260 of the suites have been leased, and occupancies are taking place as soon as construction permits.

"Topping-off" of the second building took place recently. Construction of this 20 storey, 279 suite project will be completed by October, 1968. Model suites will be ready in May, and first occupancies will be given during the summer months.

High downtown land costs, traffic congestion and parking problems have created strong interest in conveniently located office space outside the downtown core. Our 15 Overlea Boulevard building in Thorncliffe Park is designed to combine the standards of downtown accommodation, with the convenience and somewhat lower rentals of the middle core areas. This seven storey, 160,000 square foot building features clear span floor areas among the largest in Metro Toronto, reinforced floors for computers, high capacity air conditioning, lighting and power facilities, and ample parking. The entire building has been leased to The Government of The Province of Ontario commencing December 1st., 1967. O.M.S.I.P., the Medical Services Insurance Division of the Ontario Department of Health, will base its operations here.

Adjacent to 15 Overlea Boulevard, the Company owns a 2.7 acre parcel of land on which it intends to erect a second office building of similar size and design. Preliminary plans are now being prepared for this building, to be known as 7 Overlea Boulevard.

In the Borough of North York, overlooking the Don Valley and near the proposed Spadina Expressway, Markborough owns the Somerset, a 17 storey, 243 suite apartment building. This popular building has pioneered the extensive use of split level suite design. The property was purchased by Markborough during the year and leased back to the original owner-builders. The annual basic rent under a long term net lease shows a reasonable return on the Company's investment, which will increase if operating profits exceed a stipulated amount.

Regina, Saskatchewan

In Regina, the Company has a 50% interest in a hotel-shopping complex, the Regina Centre. This unique development in the heart of the downtown area includes a 20,000 square foot Safeway supermarket, a 700 seat Odeon theatre, 6,000 square feet of office space leased to Central Mortgage and Housing Corporation, a bank, and 14 retail stores. The Centre also incorporates a multi-level, 424 car parkade. Regina, the Provincial capital, is the urban focus for a wide circle of smaller communities, and is enjoying major economic benefits from the quickening pace of the Province's natural resource development.

The main feature of the complex is the Regina Inn designed to be one of the finest commercial hotels in Western Canada. The 15 storey Inn has

200 tastefully furnished rooms, and its banquet halls, dining facilities, and public rooms are outstanding in their decor and appointments. The operating staff has been drawn from across Western Canada. The dining room and all other food services are under the experienced management of Hy's Steakhouse, well known in Western Canada.

The hotel was officially opened October 27th, 1967 and the early results of its operation auger well for its future success.

Sites for Income Property Construction

Metropolitan Toronto, Ontario.

In the Borough of Etobicoke, the Company owns approximately 35 acres of prime development land adjacent to its existing Westway Village apartment buildings. This land is presently zoned for multiple family dwellings. The Company is attempting to obtain a slight zoning revision to permit a more economic and aesthetically pleasing development, which would include 441 town houses, and 142 apartment suites. It is anticipated that final approval of this rezoning will be obtained in 1968.

The Company recently purchased an apartment site immediately adjacent to its Somerset property on Finch Avenue, in the Borough of North York. This site is zoned for a 158 suite building and has the same appealing characteristics as the Somerset site.

In the Borough of Scarborough, the Company controls a 4.5 acre site on Pharmacy Avenue, overlooking the Dentonia Park municipal golf course. Much time and effort was spent during the year in obtaining a rezoning of the site from its present industrial use to one which will permit the development of two high rise apartments, comprising a total of 556 suites. Located within a few blocks of the proposed Gardiner Expressway extension and a short distance from the new Victoria Park station of the east-west subway, the property will be well served by transportation facilities.

The present occupant of the site will vacate the premises in June or July of 1968, at which time the Company will complete the purchase.

Winnipeg, Manitoba

The Company owns a parcel of land containing 4.85 acres in downtown Winnipeg, known as the St. Paul's College site. Consideration is being given to the best use of this site to determine the most suitable development for the area.

Development of Land for Sale

Metropolitan Toronto, Ontario.

The Company is presently developing land in the Borough of Scarborough. All building lots developed on these lands are under option to Alcan Design Homes Limited.

The servicing of the first phase containing 276 lots is practically completed. At the year end, 123 houses were under construction on these lots. Application for the registration of the next phase containing 242 lots has been made and it is expected that services will be installed by May or June of 1968.

In addition to the land included in the first two phases of development, the Company owns or holds options on a further 328 acres of land in Scarborough.

Town of Streetsville, Ontario.

The Company has almost completed the installation of services in the first phase of its Streetsville lands. This phase contains 106 single family lots and 9 acres reserved for ultimate development as multiple family buildings. During 1967, 101 lots were sold to one group of builders. It is expected that the remaining lots will be sold in 1968.

The balance of the lands in Streetsville, approximately 115 acres, will be developed as soon as the necessary services become available. This will occur when the Ontario Water Resources Commission proceeds with its scheme in the area, as commented on below.

Town of Mississauga (Township of Toronto), Ontario.

The Company owns 2,169 acres in the Township of Toronto. Located just west of the Metropolitan area, this is one of the fastest growing communities in Ontario. The Streetsville lands previously referred to are adjacent to this property. It is Markborough's intention to develop these lands on an integrated residential, industrial and commercial basis. It is estimated that the Company's holdings will ultimately accommodate a community of between 35,000 and 40,000 people.

The Ontario Water Resources Commission has announced plans to service this area with sewage and water facilities. Agreements with the municipalities concerned have been prepared and final details between the Commission and the Town of Mississauga are being negotiated.

Markborough, together with another major development company with substantial property

holdings in the area, is working closely with officials of the Town in preparing a Development Agreement. This Agreement will form the basis of a Plan to be processed through the various municipal and provincial authorities when trunk sewage and water facilities become available.

Province of Quebec.
Development of the Company's land holdings in the City of Beaconsfield, west of Montreal, is progressing well. The first phase, 61 lots, has now been sold out and servicing of the second phase, 62 lots, has just been completed. The third phase containing approximately 85 lots will be serviced in 1968.

Land Assembly

Metropolitan Toronto, Ontario.
In the Borough of Etobicoke, the Company has assembled an area of existing housing involving approximately 75 acres of land at the western terminus of the east-west subway extension. Accepted offers to purchase, conditional on successful rezoning, have been obtained on 98% of the 380 properties involved. It is believed that this is the largest private land assembly in Canada.

The Company intends to redevelop the area into a planned apartment community to contain approximately 9,000 suites. An application to rezone the site for this purpose was made in July. Disagreement as to the density appropriate to the area has delayed the processing of this application and further delays are anticipated. Every effort is being made to resolve this problem by June 30, 1968 which is the expiry date of the offers to purchase. Prospects of meeting this expiry date are uncertain.

New Development Proposals

The Company continually receives proposals to purchase or participate in properties suitable for development. These proposals are carefully investigated as possible additions to the Company's portfolio.

PRICE WATERHOUSE & CO.

55 YONGE STREET

TORONTO 1

November 27, 1967

AUDITORS' REPORT

To the Shareholders of
Markborough Properties Limited:

We have examined the consolidated balance sheet of Markborough Properties Limited as at October 31, 1967 and the consolidated statements of income and expenses, retained earnings and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the financial position of the companies as at October 31, 1967 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Price Waterhouse & Co.

Chartered Accountants.

Consolidated Statement of Income and Expenses
For the Year Ended October 31, 1967
(with comparative figures for the year ended October 31, 1966)

	1967	1966
Rentals from income properties	$ 1,386,700	$ 773,400
Less:		
Operating expenses	273,500	163,600
Mortgage interest	474,500	253,200
Realty taxes	266,000	133,400
Depreciation (Note 11)	190,700	97,800
	1,204,700	648,000
Net rental income	182,000	125,400
Sales of land	2,551,600	1,464,900
Less cost of sales	2,064,400	1,367,300
Gross profit from land sales	487,200	97,600
Sundry income	47,800	22,600
Income before general and administrative expenses	717,000	245,600
General and administrative expenses:		
Executive and office salaries	133,200	61,800
Bank interest	39,400	32,400
Other	183,800	184,000
Expenses of common share issue	65,700	—
	422,100	278,200
Net operating income (loss)	294,900	(32,600)
Provision for income taxes, deferred (Note 9)	150,000	—
Net income (loss) for the year	$ 144,900	$ (32,600)

Consolidated Statement of Retained Earnings (Deficit)
For the Year Ended October 31, 1967
(with comparative figures for the year ended October 31, 1966)

	1967	1966
Retained earnings (deficit) at beginning of year	$ (11,200)	$ 21,400
Net income (loss) for the year	144,900	(32,600)
Retained earnings (deficit) at end of year	$ 133,700	$ (11,200)

Markborough Properties Limited
(incorporated under the laws of Ontario)

Assets	1967	1966
Accounts receivable	$ 315,000	$ 59,300
Mortgages and other secured receivables (Note 1)	1,190,000	369,600
Prepaid expenses and other assets	215,900	55,200
Deposits on property purchases (Note 2)	843,300	767,000
Land (Note 3):		
Under sales and option agreements (Note 4)		
Developed	1,973,400	156,400
Undeveloped	3,797,400	3,463,500
For future development	7,748,900	7,598,700
	13,519,700	11,218,600
Advances relating to joint ventures (Note 5)	768,400	760,100
Income properties (Note 3):		
Land	3,269,900	2,230,900
Buildings	11,745,500	6,112,300
Equipment	564,700	311,000
Construction in progress (Note 6)	8,934,400	3,833,700
	24,514,500	12,487,900
Less accumulated depreciation	487,100	296,400
	24,027,400	12,191,500
Sites for income property construction (Note 3)	3,262,400	3,809,200
	$44,142,100	$29,230,500

Consolidated Balance Sheet
October 31, 1967
(with comparative figures at October 31, 1966)

Liabilities and Shareholders' Equity	1967	1966
Bank indebtedness	$ 6,437,700	$ 8,822,400
Accounts payable and accrued liabilities:		
On construction and development in progress	1,922,400	991,100
Other	300,800	189,500
Provision for development costs (Note 7)	662,800	32,600
Security deposits by lessees	142,600	87,800
Mortgages payable (Note 8)	15,931,900	11,408,100
Deferred income taxes (Note 9)	150,000	–
	25,548,200	21,531,500
Shareholders' equity:		
Capital stock (Note 10)		
Authorized: 6,000,000 common shares, no par value		
Issued: 3,627,094 shares (1966—1,489,100 shares, as subdivided)	18,460,200	7,710,200
Retained earnings (deficit)	133,700	(11,200)
	18,593,900	7,699,000
	$44,142,100	$29,230,500

On behalf of the Board:
B. R. B. Magee, Director
D. F. Prowse, Director

Consolidated Statement of Source and Application of Funds
For the Year Ended October 31, 1967

(with comparative figures for the year ended October 31, 1966)

	1967	1966
Funds were provided from:		
Operations:		
Net income (loss) for the year	$ 144,900	$ (32,600)
Add expenses included therein not requiring a current outlay of funds:		
Depreciation	190,700	97,800
Income taxes, deferred	150,000	—
	485,600	65,200
Common shares, proceeds from issue	10,750,000	1,599,800
Mortgages on income properties and land	8,571,000	7,500,900
Bank advances	—	6,365,800
Land, development and related costs realized through sales	2,064,400	1,367,300
Total funds provided	21,871,000	16,899,000
Funds were applied to:		
Income properties, construction and acquisition	11,362,600	5,455,100
Mortgage principal repayments	4,047,200	1,724,300
Bank indebtedness	2,384,700	—
Land:		
Acquisition	1,591,100	7,416,200
Development and related costs	1,683,400	180,500
Carrying charges	578,000	475,900
Total funds applied	21,647,000	15,252,000
Net change in other assets and liabilities	$ 224,000	$ 1,647,000
Represented by:		
Increase in:		
Accounts, mortgages and other secured receivables	$ 1,076,100	$ 162,000
Prepaid expenses and other assets	160,700	25,500
Deposits on property purchases	76,300	742,000
Advances relating to joint ventures	8,300	760,100
	1,321,400	1,689,600
Deduct increase in:		
Accounts payable and accrued liabilities	1,042,600	6,700
Security deposits by lessees	54,800	35,900
	1,097,400	42,600
Net change in other assets and liabilities, as above	$ 224,000	$ 1,647,000

Notes to Consolidated Financial Statements
October 31, 1967

1. Mortgages and Other Secured Receivables
Mortgages and other secured receivables, which arise from land sales, bear interest at 7% and mature as follows:

Fiscal year ending October 31,	1968	$ 111,400
	1970	890,700
	1972	187,900
		$1,190,000

Under certain conditions the amounts due may be paid prior to maturity.

2. Deposits on Property Purchases
This amount includes $750,000 in connection with an agreement to purchase a 4.5 acre income property site in Metropolitan Toronto for that amount and $73,300 in connection with options to purchase properties in the Bloor-Islington area of Metropolitan Toronto, which amount is refundable should the options not be exercised.

3. Valuation of Land and Income Properties
On August 12, 1965 Markborough Limited and Highbury Properties Limited amalgamated under the Ontario Corporations Act to form Markborough Properties Limited. Land originally held by Markborough Limited was recorded at cost. Land and income properties held by Highbury Properties Limited at August 12, 1965 were recorded in the Company's accounts at approximately $1,800,000 less than the valuation at the date of the amalgamation and approximately $4,100,000 in excess of the values recognized for income tax purposes.

The $4,100,000 excess of book values over values for income tax purposes is allocated approximately as follows:

Land for future development	$1,800,000
Sites for income property construction	900,000
Income properties:	
Land	1,100,000
Buildings and equipment	300,000
	$4,100,000

Additions to land and income properties since August 12, 1965 are at cost which includes applicable carrying charges (interest and real estate taxes). The carrying charges added to land under sales and option agreements are fully recoverable under the terms of the agreements. Carrying charges included in land for future development and sites for income property construction amount to $433,000 and $176,000 respectively.

4. Land Under Sales and Option Agreements
The major portion of land in this category has been optioned to a potential purchaser. Should the options not be exercised the Company will receive substantial amounts as compensation under the terms of the agreements.

5. Joint Ventures
Five of the Company's income properties, of which three are still under construction, are co-owned with other corporations under joint venture agreements. In such cases, the consolidated balance sheet includes only the Company's share of the assets and liabilities. In certain of the joint ventures, the Company has undertaken to make interest bearing interim advances for the development of the properties and as at October 31, 1967 these advances amounted to $768,400. The Company is contingently liable at October 31, 1967 for $3,920,000, representing the liabilities in the joint ventures of its co-owners, but against such contingent liabilities the Company would have a claim upon the joint venture assets of its co-owners.

Title to one of the joint venture properties is subject to two mortgages totalling $2,750,000, which are the sole responsibility of the co-owner of the property. The co-owner has indemnified the Company for any action arising from these mortgages and to secure this indemnification has charged its interest in the property and joint venture agreement.

6. Construction in Progress
The Company's share of the estimated costs to complete the four income properties under construction is approximately $2,200,000. Undrawn proceeds of mortgages on two of these projects approximate this amount. On the other two projects mortgage financing is still to be arranged.

7. Provision for Development Costs
The Company estimates and provides for the full cost of servicing subdivisions currently under development. The provision for development costs is the unexpended portion of these estimates.

8. Mortgages Payable

Mortgages payable comprise the following:

On land under sales and option agreements, at interest from 5% to 7% with varying repayment terms and maturing by 1973	$ 2,546,200
On land for future development, at interest from 5% to 6% with varying repayment terms and maturing by 1976	946,400
On income properties, at interest from 6¼% to 7% payable in equal monthly instalments of principal and interest and maturing by 2003	12,439,300
	$15,931,900

Principal repayments are due approximately as follows:

Fiscal year ending October 31,	1968	$ 796,500
	1969	292,500
	1970	739,000
	1971	1,642,000
	1972	465,000
Subsequent to October 31,	1972	11,996,900
		$15,931,900

9. Deferred Income Taxes

In calculating taxable income for 1967 the Company has availed itself of certain provisions of the Income Tax Act to eliminate taxes currently payable, and as a result the provision for income taxes of $150,000 is shown in the balance sheet as deferred income taxes.

10. Capital Stock

(a) On April 20, 1967 the Company obtained Supplementary Letters Patent increasing its authorized capital from 1,500,000 to 3,000,000 common shares without par value, and on June 8, 1967 additional Supplementary Letters Patent were obtained subdividing the 3,000,000 common shares into 6,000,000 common shares without par value.

(b) In the year ended October 31, 1967 the Company issued 2,137,994 shares (as subdivided) for a total cash consideration of $10,750,000.

(c) As a result of the issue during the year of share purchase warrants in connection with the public offering of 1,200,000 common shares, 300,000 common shares are reserved for the exercise of these warrants. Such warrants entitle the holders thereof to purchase common shares at a price of $6 if exercised before the close of business on February 1, 1970 and at a price of $7 if exercised before the close of business on August 1, 1972.

(d) The Company has granted options expiring in 1968 to 1976 to certain officers to purchase a total of 40,000 common shares at a price of $5 per share.

11. Depreciation Policy

The buildings included in income properties are being depreciated on a 3% 40 year sinking fund basis.

12. Subsidiaries

The company has two subsidiary companies, both wholly owned; Northaven Farms Limited, which farms the Company's land held for future development, and Canada Centre Development Corp. Ltd., which is inactive. The consolidated financial statements include the accounts of these subsidiaries.

13. Remuneration to Directors and Senior Officers

The aggregate direct remuneration paid or payable to the directors and senior officers of the Company in respect of the year ended October 31, 1967 was $105,500.

Properties

Regina, Saskatchewan

Streetsville-Mississauga*

Toronto, Ontario

Etobicoke

North York

Scarborough

East York

*Formerly Toronto Township, Ontario

Table of Assets

A tabulation of the Company's property assets at October 31, 1967 together with details of outstanding encumbrances is set out in the table below. Photographs of certain properties and some descriptive details are contained in the following pages.

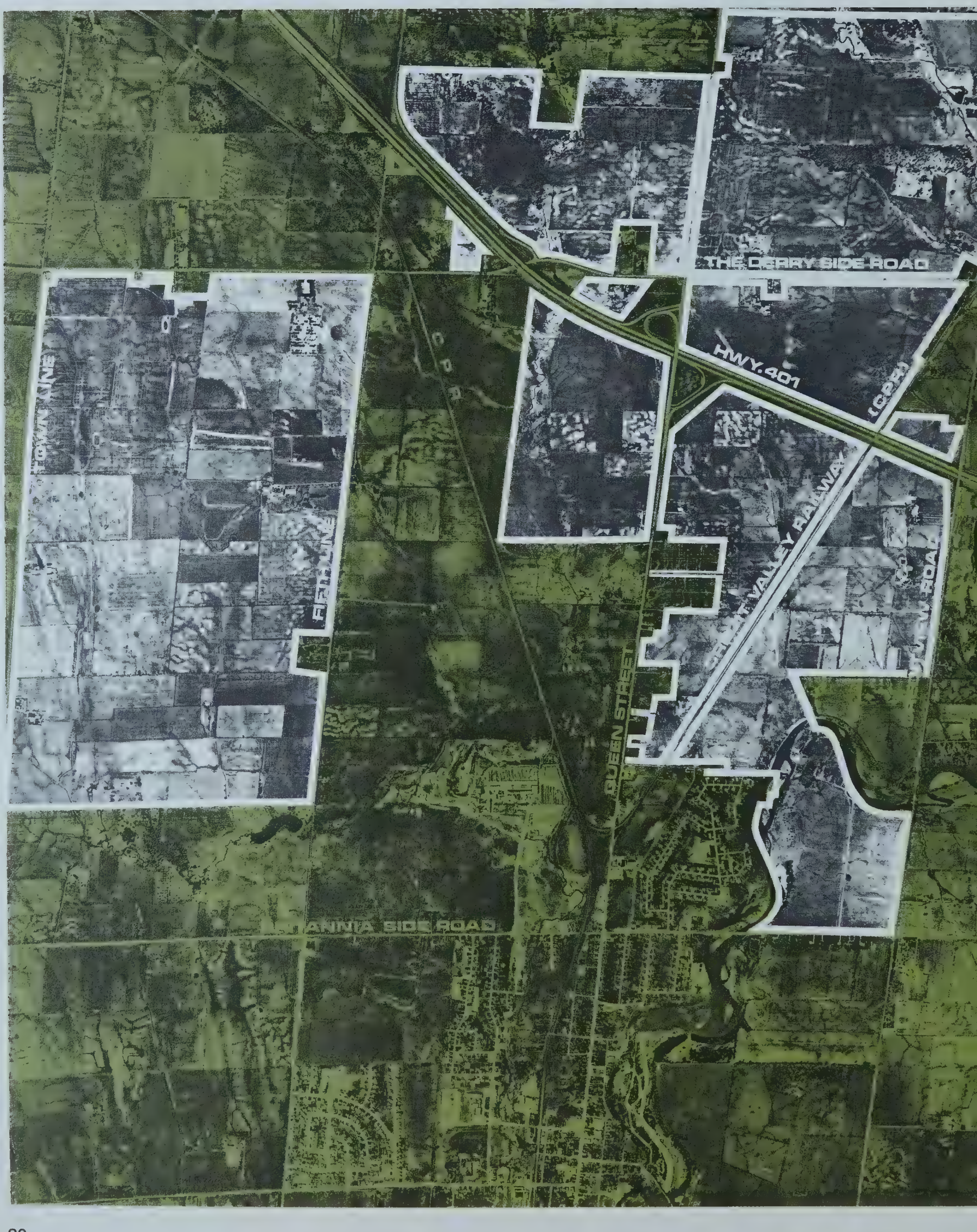
		Mortgages		
	Book Value	Amount	Rate	Maturity
Real Estate Assets				
Land under sales and option agreements				
Developed				
Borough of Scarborough	$ 1,973,400	$ 188,300	6% to 7%	1968
Undeveloped				
Borough of Scarborough	3,030,100	2,021,300	5% to 7%	1969 to 1972
City of Beaconsfield	767,300	336,600	6%	1968
Land for future development				
Town of Mississauga	7,228,400	878,400	5% to 6%	1968 to 1975
Town of Streetsville	479,500	68,000	6%	1971
Borough of Etobicoke	41,000	Nil		
Sites for income property construction				
City of Winnipeg	1,950,900	Nil		
Borough of Etobicoke	1,131,700	Nil		
Borough of East York	179,800	Nil		
Income producing properties				
605 Finch Avenue West	3,741,300	3,034,700	6¼%	2002
311 Dixon Road	2,437,700	1,845,700	6¼%	1996
20 Redgrave Drive	1,952,900	1,387,400	7%	1994
60 Callowhill Drive	1,347,700	1,079,400	6¼%	1997
695 Martingrove Road	1,340,000	1,079,400	6¼%	1997
63 Callowhill Drive	1,320,600	1,053,600	6¼%	1995
416 The Westway	1,098,300	665,400	6¾%	1988
65 Sandwell Drive	210,100	165,500	6¾%	1988
Service Station Site	113,600	Nil		
Income producing properties under construction				
Regina Centre	3,368,200	Nil		
49 Thorncliffe Park Drive	3,114,900	2,128,200	6¾%	1997
15 Overlea Boulevard	2,969,100	Nil		
53 Thorncliffe Park Drive	1,013,000	Nil		
	40,809,500	15,931,900		
Assets Other Than Real Estate				
Receivables, prepaids and other current assets	3,332,600			
	$44,142,100	$15,931,900		

Western Canada — Regina Centre

A major contribution to Regina's business and social life, the block square Regina Centre is now fully operational following the opening of the 200 room Regina Inn in late October. Facilities include a 700 seat Odeon theatre, a Safeway supermarket, 14 shops and a bank in an enclosed shopping mall, and a 424 car parkade.

Over 2,000 persons attended the official opening of the Regina Inn. Features of the Inn include colour television, banquet and convention facilities, health club, and swimming pool.

Provision has also been made for a roof-top restaurant, and 40 additional suites.


THE DERRY SIDE ROAD
HWY. 401
(CPR)
CPR
TOWN LINE
FIFTH LINE
VALLEY RAILWAY
QUEEN STREET
ANNIA SIDE ROAD

Metro Toronto's population is now expected to increase by 90,000 people a year. With little land left for new development within the boundaries of Metro, the surrounding areas, particularly to the west, should experience dramatic growth in the next decade. Large, easily serviced parcels of land with strong transportation connections to Metro, will be essential to meet projected demands for new housing, commerce and industry.

The 2,285 acre land assembly held by Markborough west of Metro is particularly well suited to meet these needs. Here, a comprehensive, planned community of 35,000 to 40,000 persons will be developed with its own regional and neighbourhood shopping centres, select industrial sites and neighbourhood clusters of single and multiple family homes and apartments.

The community will be tied to Metro by the existing Macdonald-Cartier Freeway and CPR mainline, by two new highways proposed by the Ontario Government, and possibly by a "GO" commuter line passing through the area.

The key to the commencement of development is the provision of trunk water and sewage services into the area. Negotiations between affected municipalities and the Ontario Water Resources Commission for the servicing of the area are under way.

Streetsville Subdivision

Installation of underground services in the 106 lot Meadow Glen subdivision in the Town of Streetsville has now been completed. It is expected that builders will begin house construction in 1968. Custom building lots overlooking the Credit River, full underground services, cable television and a river valley park are features of the development. Architectural and subdivision control over house designs, materials, colours, set backs, site plans and grading, will be exercised by Markborough.

Northaven Farms

Through the Company's wholly-owned subsidiary, Northaven Farms, much of the land in the Mississauga-Streetsville assembly will be kept under cultivation until ready for development. 1967 crops included wheat, oats, barley, corn and hay.

Westway Village
Six of the Company's buildings in the Westway Village area of the Borough of Etobicoke are included in this grouping. The service station, across from the shopping plaza, is also held by Markborough. In the 35 acres of vacant land outlined, the Company proposes to develop a residential project including town houses and apartments.

Martinway Towers
Construction and leasing of these twin buildings were completed during the year. Large suites, nearby community and shopping facilities have made these buildings very popular with young families.

Somerset Apartments

The rental success of this project derives in part from its attractive hillside location in the Don Valley, from its striking design and central air conditioning. Approximately 50% of the suites are of a split-level design. The proposed Spadina Expressway extension will provide a direct route to downtown Toronto. An extensive public park scheme, including an artificial lake and ski slopes has been announced for the lands immediately to the north, insuring clear, obstruction-free views from all suites.

The grounds, pool and home of this former private estate have been retained, providing a relaxing, informal atmosphere. The Company plans to erect a 158 suite building on the hillside to the right (east) of the existing building.

Fields of Agincourt

Development of the first and second phases of this subdivision, The Fields of Agincourt, is almost completed. The builder, Alcan Design Homes Limited, has enjoyed considerable success with the sale of its homes in the subdivision. The development is near the Macdonald-Cartier Freeway and the Don Valley Parkway. Convenient to a major shopping centre and new schools, it borders on the Tam-O-Shanter Golf and Country Club.

In the development of this and its other subdivisions Markborough purchases the raw land, spends an average of two years on engineering design and negotiations with Municipal and Provincial authorities, installs all services, and sells the serviced building lots to the home builders.

Dentonia Park Apartment Site
On this attractive site, the Company plans to redevelop a small pocket of industry with two high rise apartment towers containing a total of 556 suites. The buildings will overlook the Dentonia Park public golf course and the Victoria Park station of the new east-west subway.

Thorncliffe Park

Thorncliffe Park is one of Canada's finest examples of an integrated apartment, commercial and industrial community. Note the changing trends from earlier low rise developments, centre, to newly constructed high rise apartments, at right. The Don Valley Parkway, at upper right, provides a direct, 10 minute connection to downtown Toronto, and quick access to all major arteries and expressways.

15 Overlea Boulevard
Designed for large space users, this 160,000 square foot building has 20,500 square feet and only 4 interior columns, per floor. Parking well in excess of usual requirements has been provided in anticipation of an increasingly mobile working force. More than 1,500 people will work here.

This view is across an eight-acre public park adjoining the building. Markborough plans to build a similar building on the adjacent site to the left.

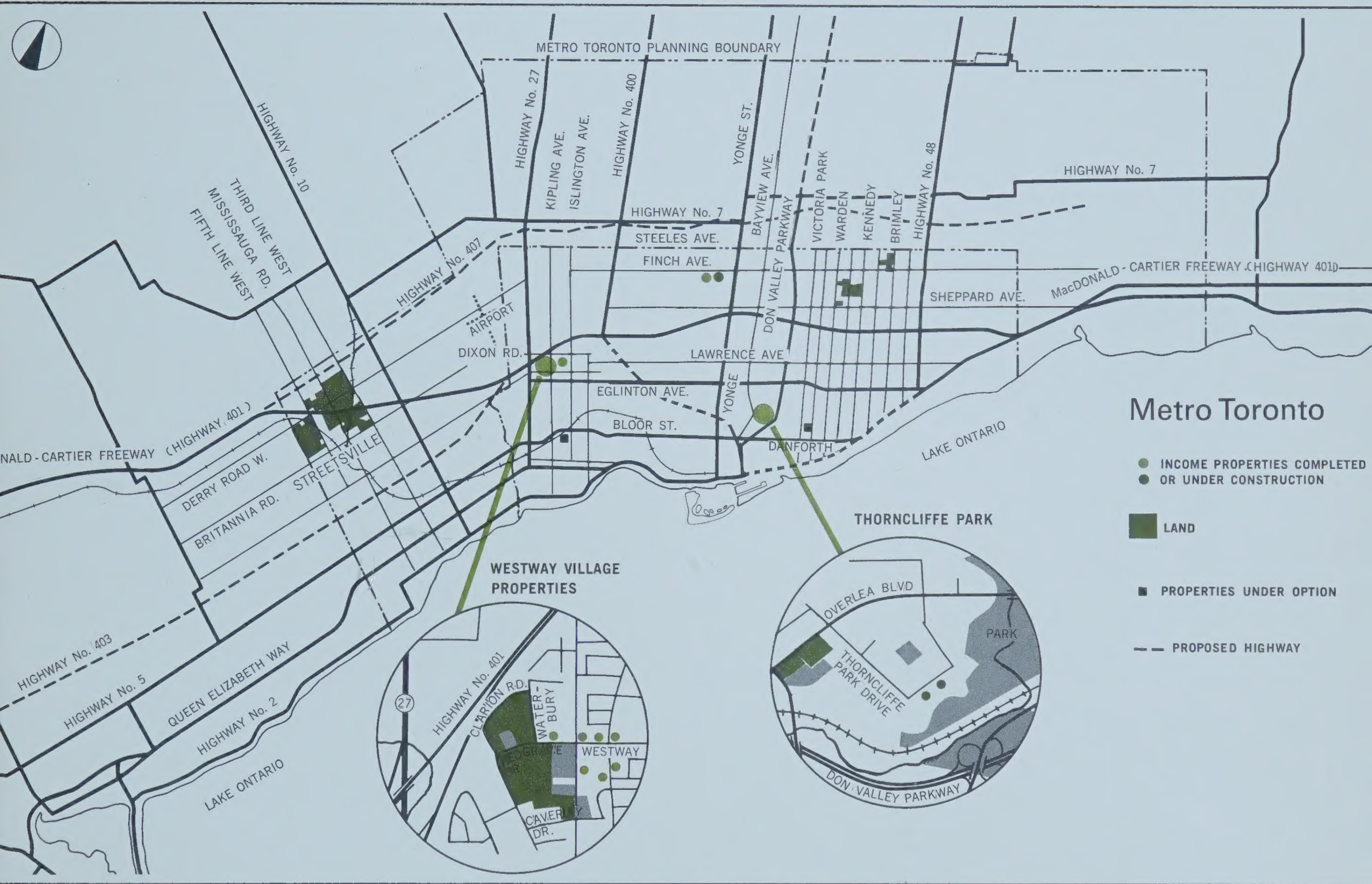
53 Thorncliffe Park Drive
Construction on this 279 suite apartment building will be completed by October, 1968

49 Thorncliffe Park Drive

The swing towards taller buildings and more open space is well illustrated by this Y-shaped, 400 suite building, 50% owned by the Company. Schools, churches, parks and a 40 store mall type shopping centre are nearby in the Thorncliffe community.

The Company also has a 50% interest in a 279 suite adjacent building, now under construction.

Properties in the Metropolitan Toronto Area



With a population of over 2,000,000 people and annual increases of 90,000 forecast, the Metropolitan Toronto area has one of the most exciting futures of any major centre in North America. The Company's holdings here include nine apartment buildings, an office building, apartment and office sites and over 2600 acres of land held for development.